

House Study Bill 773

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON VAN FOSSEN)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to local option taxes, including the imposition
2 of a local option sales and service tax by a county in a city
3 located in another county and the use of revenues by a city or
4 county under a joint agreement with another city or county.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
6 TLSB 6575HC 81
7 mg/je/5

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1 1 Section 1. Section 423B.1, subsection 3, Code 2005, is
1 2 amended to read as follows:
1 3 3. A local option tax shall be imposed only after an
1 4 election at which a majority of those voting on the question
1 5 favors imposition and shall then be imposed until repealed as
1 6 provided in subsection 6, paragraph "a". If the tax is a
1 7 local vehicle tax imposed by a county, it shall apply to all
1 8 incorporated and unincorporated areas of the county. If the
1 9 tax is a local sales and services tax imposed by a county, it
1 10 shall only apply to those incorporated areas and the
1 11 unincorporated area of that county in which a majority of
1 12 those voting in the area on the tax favors its imposition.
1 13 For purposes of the local sales and services tax, all cities
1 14 contiguous to each other shall be treated as part of one
1 15 incorporated area and the tax would be imposed in each of
1 16 those contiguous cities only if the majority of those voting
1 17 in the total area covered by the contiguous cities favors its
1 18 imposition. In the case of a local sales and services tax
1 19 submitted to the registered voters of two or more contiguous
1 20 counties as provided in subsection 4, paragraph "c", all
1 21 cities contiguous to each other shall be treated as part of
1 22 one incorporated area, even if the corporate boundaries of one
1 23 or more of the cities include areas of more than one county,
1 24 and the tax shall be imposed in each of those contiguous
1 25 cities only if a majority of those voting on the tax in the
1 26 total area covered by the contiguous cities favored its
1 27 imposition. For purposes of the local sales and services tax,
1 28 a city is not contiguous to another city if the only road
1 29 access between the two cities is through another state.
1 30 Sec. 2. Section 423B.1, subsection 4, Code 2005, is
1 31 amended by adding the following new paragraph:
1 32 NEW PARAGRAPH. c. Upon receipt of petitions or motions
1 33 calling for the submission of the question of the imposition
1 34 of a local sales and services tax as described in paragraph
1 35 "a" or "b", the boards of supervisors of two or more
2 1 contiguous counties in which the question is to be submitted
2 2 may enter into a joint agreement providing that for purposes
2 3 of this chapter, a city whose corporate boundaries include
2 4 areas of more than one county shall be treated as part of the
2 5 county in which a majority of the residents of the city
2 6 reside. In such event, the county commissioners of elections
2 7 from each such county shall cooperate in the selection of a
2 8 single date upon which the election shall be held, and for all
2 9 purposes of this chapter relating to the imposition, repeal,
2 10 change of use, or collection of the tax, such a city shall be
2 11 deemed to be part of the county in which a majority of the
2 12 residents of the city reside. A copy of the joint agreement
2 13 shall be provided promptly to the director of revenue.
2 14 Sec. 3. Section 423B.1, subsection 6, paragraph a, Code
2 15 2005, is amended to read as follows:
2 16 a. If a majority of those voting on the question of

2 17 imposition of a local option tax favors imposition of a local
2 18 option tax, the governing body of that county shall impose the
2 19 tax at the rate specified for an unlimited period. However,
2 20 in the case of a local sales and services tax, the county
2 21 shall not impose the tax in any incorporated area or the
2 22 unincorporated area if the majority of those voting on the tax
2 23 in that area did not favor its imposition. For purposes of
2 24 the local sales and services tax, all cities contiguous to
2 25 each other shall be treated as part of one incorporated area
2 26 and the tax shall be imposed in each of those contiguous
2 27 cities only if the majority of those voting on the tax in the
2 28 total area covered by the contiguous cities favored its
2 29 imposition. In the case of a local sales and services tax
2 30 submitted to the registered voters of two or more contiguous
2 31 counties as provided in subsection 4, paragraph "c", all
2 32 cities contiguous to each other shall be treated as part of
2 33 one incorporated area, even if the corporate boundaries of one
2 34 or more of the cities include areas of more than one county,
2 35 and the tax shall be imposed in each of those contiguous
3 1 cities only if a majority of those voting on the tax in the
3 2 total area covered by the contiguous cities favored its
3 3 imposition.

3 4 PARAGRAPH DIVIDED. The local option tax may be repealed or
3 5 the rate increased or decreased or the use thereof changed
3 6 after an election at which a majority of those voting on the
3 7 question of repeal or rate or use change favored the repeal or
3 8 rate or use change. The date on which the repeal, rate, or
3 9 use change is to take effect shall not be earlier than ninety
3 10 days following the election. The election at which the
3 11 question of repeal or rate or use change is offered shall be
3 12 called and held in the same manner and under the same
3 13 conditions as provided in subsections 4 and 5 for the election
3 14 on the imposition of the local option tax. However, in the
3 15 case of a local sales and services tax where the tax has not
3 16 been imposed countywide, the question of repeal or imposition
3 17 or rate or use change shall be voted on only by the registered
3 18 voters of the areas of the county where the tax has been
3 19 imposed or has not been imposed, as appropriate. However, the
3 20 governing body of the incorporated area or unincorporated area
3 21 where the local sales and services tax is imposed may, upon
3 22 its own motion, request the county commissioner of elections
3 23 to hold an election in the incorporated or unincorporated
3 24 area, as appropriate, on the question of the change in use of
3 25 local sales and services tax revenues. The election may be
3 26 held at any time but not sooner than sixty days following
3 27 publication of the ballot proposition. If a majority of those
3 28 voting in the incorporated or unincorporated area on the
3 29 change in use favors the change, the governing body of that
3 30 area shall change the use to which the revenues shall be used.
3 31 The ballot proposition shall list the present use of the
3 32 revenues, the proposed use, and the date after which revenues
3 33 received will be used for the new use.

3 34 When submitting the question of the imposition of a local
3 35 sales and services tax, the county board of supervisors may
4 1 direct that the question contain a provision for the repeal,
4 2 without election, of the local sales and services tax on a
4 3 specific date, which date shall be as provided in section
4 4 423B.6, subsection 1.

4 5 Sec. 4. Section 423B.5, unnumbered paragraph 1, Code
4 6 Supplement 2005, is amended to read as follows:

4 7 A local sales and services tax at the rate of not more than
4 8 one percent may be imposed by a county on the sales price
4 9 taxed by the state under chapter 423, subchapter II. A local
4 10 sales and services tax shall be imposed on the same basis as
4 11 the state sales and services tax or in the case of the use of
4 12 natural gas, natural gas service, electricity, or electric
4 13 service on the same basis as the state use tax and shall not
4 14 be imposed on the sale of any property or on any service not
4 15 taxed by the state, except the tax shall not be imposed on the
4 16 sales price from the sale of motor fuel or special fuel as
4 17 defined in chapter 452A which is consumed for highway use or
4 18 in watercraft or aircraft if the fuel tax is paid on the
4 19 transaction and a refund has not or will not be allowed, on
4 20 the sales price from the sale of equipment by the state
4 21 department of transportation, and except the tax shall not be
4 22 imposed on the sales price from the sale or use of natural
4 23 gas, natural gas service, electricity, or electric service in
4 24 a city or county where the sales price from the sale of
4 25 natural gas or electric energy is subject to a franchise fee
4 26 or user fee during the period the franchise or user fee is
4 27 imposed. A local sales and services tax is applicable to

4 28 transactions within those incorporated and unincorporated
4 29 areas of the county where it is imposed and shall be collected
4 30 by all persons required to collect state sales taxes. All
4 31 cities contiguous to each other shall be treated as part of
4 32 one incorporated area and the tax would be imposed in each of
4 33 those contiguous cities only if the majority of those voting
4 34 in the total area covered by the contiguous cities favors its
4 35 imposition. In the case of a local sales and services tax
5 1 submitted to the registered voters of two or more contiguous
5 2 counties as provided in section 423B.1, subsection 4,
5 3 paragraph "c", all cities contiguous to each other shall be
5 4 treated as part of one incorporated area, even if the
5 5 corporate boundaries of one or more of the cities include
5 6 areas of more than one county, and the tax shall be imposed in
5 7 each of those contiguous cities only if a majority of those
5 8 voting on the tax in the total area covered by the contiguous
5 9 cities favored its imposition.

5 10 Sec. 5. Section 423B.7, subsection 6, Code 2005, is
5 11 amended to read as follows:

5 12 6. Local sales and services tax moneys received by a city
5 13 or county may be expended for any lawful purpose of the city
5 14 or county. These purposes include but are not limited to
5 15 payments to other cities, counties, entities established under
5 16 chapter 28E, nonprofit corporations, or other organizations
5 17 under terms of a joint agreement entered into by the city or
5 18 county with other cities or counties for the purpose of
5 19 funding the acquisition, construction, renovation, or
5 20 improvement of regional recreational infrastructure,
5 21 facilities, and attractions; the funding of regional or local
5 22 nonprofit organizations that operate or provide regional
5 23 facilities, attractions, or programs for the production,
5 24 exhibition, advancement or preservation of art, music,
5 25 theater, dance, science, natural history, or cultural history;
5 26 or reducing the tax rate disparity among the cities and
5 27 counties that are parties to the joint agreement.

5 28 EXPLANATION

5 29 This bill allows contiguous counties that are submitting
5 30 the question of the imposition of a local sales and services
5 31 tax to enter into an agreement to provide that any city in
5 32 those counties that includes areas of more than one of those
5 33 counties shall be considered as a city located in the county
5 34 where the majority of the city's population resides.

5 35 Present law provides that the local option tax is not to be
6 1 imposed in a city that is contiguous to another city unless a
6 2 majority of the entire incorporated area votes for the tax.
6 3 The bill provides that if contiguous counties have agreed to
6 4 have any city located in more than one county to be considered
6 5 as located in the county where the majority of its population
6 6 resides and such a city is contiguous to another city then the
6 7 entire city is considered part of the incorporated area for
6 8 purposes of determining if the vote is in favor of the
6 9 imposition of the tax.

6 10 The bill also lists purposes for which local sales and
6 11 service tax revenues may be used. These include payments
6 12 under a joint agreement to other cities, counties, chapter 28E
6 13 entities, nonprofit corporations, or other organizations for
6 14 funding regional recreational infrastructure, facilities, and
6 15 attractions, or to reduce the tax rate disparity between
6 16 cities and counties that are parties to the joint agreement.

6 17 LSB 6575HC 81

6 18 mg:nh/je/5